

April 6, 2018

Mary Becerra
Secretary of the Commission
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 E
Indianapolis, Indiana 46204
mbecerra@urc.in.gov
Electronically delivered

RE: Reply to Vectren's Response to CAC and ELPC Objection

**Reply to Vectren's Response to Objection on behalf of
Citizens Action Coalition and the Environmental Law & Policy Center**

Pursuant to Rule 170 IAC 1-6-7(d)(1), which states that 30-Day filings that have not been resolved to the satisfaction of the objector shall not be presented for Commission approval, Citizens Action Coalition ("CAC") and the Environmental Law & Policy Center ("ELPC") respectfully submit this Reply to express their lack of satisfaction with Vectren Energy Delivery of Indiana's ("Vectren") Response, filed on April 2, 2018, to CAC and ELPC's Objections filed on March 23, 2018. The Commission's procedures allow a party to reply to a response in similar contexts. *See, e.g.* 170 IAC 1-1.1-12(f). The Objections and Response at issue concerns Vectren's 30-day filing, filed on February 28, 2018, IURC 30-Day Filing No. 50124.

Vectren's response failed to satisfy ELPC and CAC's objection, as required by 170 IAC 1-6-7(d)(1), and the response raised a number of issues demonstrating why the Commission should open an investigation into Indiana's implementation of PURPA. There are three key reasons why the Commission should deny Vectren's 30-day filing and open an investigation into Indiana's PURPA implementation.

1. Vectren's Standard Contract Fails to Comply with Indiana and Federal Law.

After ELPC and CAC filed its Objection, Vectren's counsel provided its standard contract to ELPC and CAC, which attached to this reply as Exhibit C. There are two relevant requirements applicable to Vectren's standard contract. First, Indiana law requires electric utilities to enter into "long term" contracts for the purchase of energy and capacity by PURPA QFs. Burns Ind. Code Ann. § 8-1-2.4-4(a). Second, federal law requires that long-term contracts include the ability to obtain fixed rates. 18 C.F.R. § 292.304(d)(2)(ii); *see also Winding Creek Solar LLC v. Peevey*, __ F. Supp. 3d __, No. 13-04934, 2017 WL 6040012, at *10 (N.D. Cal. 2017) (PURPA standard contract without option to fix rates over entire term conflicts with PURPA).

Vectren's standard contract contains a 3-year term, Exhibit C at 18, and this term length fails to provide the opportunity for a "long term" contract, as required by Burns Ind. Code Ann. § 8-1-2.4-4(a). In its objections to Duke Energy Indiana's 30-day filing, IURC 30-Day Filing No. 50119, ELPC and CAC submitted an affidavit from a potential QF developer that explained

contract term lengths must be at least 15- to 20-years in order to allow QFs reasonable opportunities to obtain financing. *See* Affidavit of Sam Kliever at ¶ 3.¹ According to this potential QF developer, Vectren's 3-year standard contract would not "long enough to allow QFs reasonable opportunities to attract capital from potential investors." *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 8 (2016).

In addition, a review of EIA data containing a list of all generators shows that Vectren currently has no small power production QFs in its service territory,² and ELPC and CAC are not aware of any small power production QFs in Vectren's service territory. The lack of any QF activity in Vectren's service territory is evidence that its three-year standard contract are not "encourage[ing] the development of alternate energy production facilities." Burns Ind. Code Ann. § 8-1-2.4-1.

In Vectren's standard contract, it is unclear whether the rates for purchase are fixed over the 3-year term or are changed annually, which means avoided cost rates are not fixed over the 3-year term. *See* Exhibit C at 17. If Vectren's standard contract's avoided cost rate changes annually, then this annual change conflicts with 18 C.F.R. § 292.304(d)(2)(ii), which requires QFs to have the option of fixing the contract price for the delivery of energy and capacity "at the time the obligation is incurred." *See Allco Renewable Energy Ltd v. Massachusetts Electric Co.*, 208 F. Supp. 3d 390, 400 (D. Mass. 2016) *aff'd* 875 F.3d 64 (1st Cir. 2017) (lack of option to obtain fixed rate in long term contracts renders state's PURPA implementation in conflict with PURPA); *Winding Creek Solar LLC v. Peevey*, _ F. Supp. 3d __, No. 13-04934, 2017 WL 6040012, at *10 (N.D. Cal. 2017) (PURPA standard contract without option to fix rates over entire term conflicts with PURPA).

The North Carolina Utilities Commission ("NCUC") recently rejected Duke Energy Carolinas, LLC, similar proposal to change the avoided cost rates in its standard contract every two years.³ The NCUC explained:

The Commission determines, for purposes of this case, that Vectren's proposed two-year reset in the avoided energy rate component of the standard offer rate should not be adopted at this time. While some larger facilities may be able to negotiate for different terms and degrees of certainty with regard to securing capital and return on investment, the proposed two-year energy rate reset for facilities eligible for the standard offer rates adds an additional element of uncertainty to their ability to reasonably forecast their anticipated revenue, which may make obtaining financing more difficult than a longer term, fixed-rate PPA.⁴

Annual avoided cost updates, like that possibly in Vectren's standard contract, would be even more uncertain than Duke Energy Carolina's unsuccessful biennial update proposal in

¹ This affidavit was filed with ELPC and CAC's Objection to Duke Energy Indiana's 30-day filing.

² <https://www.eia.gov/electricity/data/eia860/> (last updated Nov. 2017).

³ *See In re Biennial Determination of Avoided Cost Rates for Electric Utility Purchases from Qualifying Facilities – 2016*, Docket No. E-100 SUB 148, Order at 7 ¶ 10 (N. C. Pub. Util. Comm'n Oct. 11, 2017) available at <https://perma.cc/UUJ6-2G5Q>.

⁴ *Id.*, Order at 69.

North Carolina. According to the testimony of Cypress Creek Renewables, a QF developer in North Carolina, annual or biennial change to contract prices make QF financing prohibitively difficult:

Cypress Creek argues that financing parties would view a ten-year PPA with a two-year readjustment to the avoided energy rate no more favorably than they would a two-year contract, which would not be financeable. Cypress Creek witness McConnell testified that rates fixed over the term of the contract are critical to securing financing, stating that “fixed rates for a fixed period of time create financeable contracts,” and that what creates value in the contract is having a set avoided cost rate for a set period of time. He further testified that without these fixed rates, lenders are unwilling to bet on what the avoided cost rates will be going forward.⁵

Vectren’s failure to offer QFs the choice of a long-term fixed rate contract conflicts with PURPA, as interpreted by FERC and other recent state commission orders. The ambiguity in Vectren’s standard contract concerning the ability to fix rates over the 3-year term should be an issue investigated by the Commission. In addition, 3-year standard contracts are not “long term,” as required by Burns Ind. Code Ann. § 8-1-2.4-4(a), and adequate contract term lengths should be another issue the Commission should investigate.

2. Vectren Has Not Complied With All Requirements of 18 C.F.R. § 292.302(b).

In its response, Vectren admitted that it has not filed *all* of the information required by 18 C.F.R. § 292.302(b). Vectren Response at 3 (“Vectren South has complied with *many* of the requirements of 18 CFR § 292.302(b) through its Integrated Resource Plan (‘IRP’) which was filed on December 16, 2016.”) (emphasis added). Vectren’s response indicates it has only supplied the information required by 18 C.F.R. § 292.302(b)(2)-(3) (capacity additions over 10 years and their costs), but did not indicate it has supplied the forecasted avoided cost information required by 18 C.F.R. § 292.302(b)(1). Accordingly, because 18 C.F.R. § 292.302(b) requires this information to be filed at least every two years, Vectren has not in compliance because it has not filed the information required by § 292.302(b)(1) in the last two years.

In addition, although Vectren’s December 2016 IRP does show its planned capacity additions over the next ten years,⁶ as required by 18 C.F.R. § 292.302(b)(2), nowhere in the IRP does it contain the “estimated capacity costs at completion of the planned capacity additions and planned capacity firm purchases, on the basis of dollars per kilowatt, and the associated energy costs of each unit, expressed in cents per kilowatt hour.” 18 C.F.R. § 292.302(b)(3).

Perhaps these estimated capacity costs are available in the non-public version of the IRP, but that too fails to comply with the regulation. The regulation states that utilities “shall maintain for public inspection” these “estimated capacity costs.” 18 C.F.R. §§ 292.302(b), 292.302(b)(3). The “public inspection” requirement preempts application of trade secret or confidential

⁵ *Id.*, Order at 67.

⁶ Vectren, 2016 INTEGRATED RESOURCE PLAN at 232-243 (Dec. 2016), available at <https://perma.cc/YG98-M43F>.

treatment of the information required to comply with this regulation.⁷ If Vectren wants to use its IRP to comply with 18 C.F.R. §§ 292.302(b)(3), then it cannot shield those estimated capacity costs from public view.

Vectren's lack of compliance with 18 C.F.R. § 292.302(b)(1) undermines the purpose of these avoided cost informational filings and this lack of compliance demonstrates the need for Indiana to investigate the issue further.

3. There Are Currently No Federal Investigations or Rulemakings into PURPA, and Even If There Were, It Should Not Stop the Commission from Exercising its Duly-delegated Authority to Implement PURPA and State Law.

Vectren believes an investigation of PURPA implementation is not warranted in Indiana because there are already federal investigations into PURPA ongoing and therefore the State should allow the federal government to dictate what Indiana should do. Vectren Response at 3-4. However, contrary to Vectren's assertions, there are no active FERC investigations or rulemakings related to PURPA. Vectren cited to a FERC order soliciting comments in Docket AD16-16, but FERC created that docket solely for its 2016 PURPA technical conference.⁸ Conference participants filed their comments in Fall 2016, and FERC has taken no action and conducted no investigation or rulemaking following those comments.

Vectren misrepresented statements made by FERC's Chairman Neil Chatterjee. On October 30, 2017, Representative Tim Walberg sent a letter to FERC asking FERC to update its PURPA regulations. *See* Exhibit D. On November 29, 2017, FERC Chairman Neil Chatterjee responded with a two-paragraph letter and did not initiate an investigation or rulemaking in response to Walberg's letter. *See* Exhibit E. Nevertheless, Vectren attempts to use an excerpt of Neil Chatterjee's letter to explain "the purpose of this investigation," Vectren Response at 3, even though no such investigation exists and the Chairman's letter does not reference an active investigation or rulemaking.

Vectren also cited to a recent bill introduced in Congress as evidence of another federal investigation. That bill, titled the PURPA Modernization Act, H.R. 4476, has sat in a House of Representative subcommittee since December 1, 2017 and has yet to be offered up for a vote.⁹ Even if it passes the committee stage, it is unlikely to pass the full House of Representatives or the Senate. In addition, the legislation only effects the size of QFs and how PURPA could

⁷ *See In Re Investigation of Central Maine Power Company's Resource Planning, Rate Structures, and Long-Term Avoided Costs (Rate Design Phase)*, Docket No. 92-315, 1995 Me. PUC LEXIS 11 at *13-14 (Jan. 27, 1995 Me. Pub. Util. Comm'n). The Maine Public Utilities Commission stated:

Plainly, under this federal regulation, the specified avoided cost information must be filed with state regulatory agencies and the information must be publicly available. The federal regulation expressly regulates state activities and, under the supremacy clause, undoubtedly precludes any state action that would make the specified information not publicly available, e.g., pursuant to state trade secret protection law. *Id.* at *13.

⁸ *See Notice of technical conference re Implementation Issues under the Public Utility Regulatory Policies Act of 1978*, Docket No. AD16-16 (F.E.R.C. Feb. 9, 2016) available at <https://perma.cc/TKU5-CBW9>; *see also Supplemental Notice Concerning Technical Conference*, Docket No. AD16-16 (F.E.R.C. Mar. 4, 2016) available at <https://perma.cc/A9TV-DLZW>.

⁹ *See* <https://www.congress.gov/bill/115th-congress/house-bill/4476/all-actions>

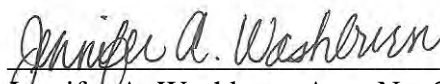
interact with integrated resource plans—it has nothing to do with adequate contract term lengths under Indiana law or compliance with 18 C.F.R. 292.302(b).

Vectren's reliance on federal activity as a reason for why the Commission should not open an investigation rings hollow. PURPA operates under a cooperative federalism framework whereby FERC issued the primary regulations but the State of Indiana is delegated authority to implement those regulations at the state level. *See* 16 U.S.C. § 824a-3(f). Indiana has adopted state laws and regulations to implement these requirements, including a state law that directs the commission to require electric utilities to enter into long-term contracts with alternate energy production facilities. Burns Ind. Code Ann. § 8-1-2.4-4(a). The existence, or not, of federal proceedings related to PURPA in no way negates the Commission's responsibility to implement and enforce existing state law. Finally, PURPA provides the Commission with the discretion to determine issues like contract term lengths, and, therefore, Indiana's discretion and authority to investigate such issues is unaffected by the hypothetical existence of federal investigations into matters unrelated to Indiana's requirement for "long term" contracts. Burns Ind. Code Ann. § 8-1-2.4-4(a).

Indiana should use its considerable discretion under PURPA to deny approval of Vectren's 30-day filing and open an investigation into PURPA implementation in the State. Issues for investigation should be adequate contract term lengths, compliance with 18 C.F.R. 292.302(b)'s biennial avoided cost information requirements, and other issues that the Commission determines are relevant. Other relevant issues could be how utilities calculate their avoided energy cost rates and whether the standard offer tariff and standard contracts should be available to QFs larger than 100 kW.

Dated April 6, 2018

Respectfully submitted,



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SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

20-24 N.W. FOURTH STREET • EVANSVILLE, INDIANA 47741 • TEL. (812) 424-6411



December 1, 1987

Mr. L. D. Philpott, Secretary
Indiana Utility Regulatory Commission
913 State Office Building
Indianapolis, Indiana 46204

In Re: In the matter of the Adoption and Promulgation
by the Public Service Commission of Indiana of
Rules and Regulations with Respect to Cogeneration
and Alternate Energy Production Facilities Pursuant
to Title II, Sections 201 and 210 of the Public
Utility Regulatory Policies Act of 1978, and Public Law
72 Enacted by the 102nd Indiana General Assembly(Public
Law 72-182), Cause No. 37494.

Dear Mr. Philpott:

In compliance with the Commission's Rules and Regulations with Respect to
Cogeneration and Alternate Energy Production Facilities as published in the
Indiana Register, Volume 8, Number 6, April 1, 1985, please find enclosed ten
(10) copies of the following for filing under the Commission's thirty day filing
process:

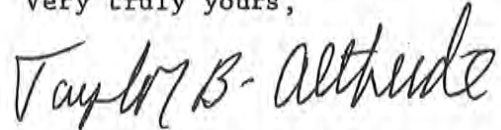
1. A tariff covering terms, conditions, and rates for purchase
and sale of energy and capacity as required by
170 IAC 4-4.1-5, 170 IAC 4-4.1-7, 170 IAC 4-4.1-8,
170 IAC 4-4.1-9, 170 IAC 4-4.1-10
2. Supporting data for the rates and rate filings as required by
170 IAC 4-4.1-4.
3. Standard form contract as required by 170 IAC 4-4.1-11.

Please return three (3) file marked copies to us.

Any questions concerning the enclosed information should be addressed to:

Taylor B. Altheide
Manager of Rates
20 N. W. Fourth Street
Evansville, Indiana 47741

Very truly yours,

A handwritten signature in cursive script that reads "Taylor B. Altheide".

Taylor B. Altheide
Manager of Rates

TBA/bl
encls.

Cc: N. P. Wagner
R. G. Reheman
A. E. Goebel
G. A. Porch

Southern Indiana Gas
and Electric Company

P.S.C.I. No. E-8 N.S.
Second Revised Sheet No. 38
Cancelling First Revised Sheet No. 38

RATE "CSP"
COGENERATION AND SMALL POWER PRODUCTION

AVAILABILITY

The schedule of purchase prices set forth herein shall apply to owners of cogeneration or small power producing "qualifying facilities" as defined by the Public Service Commission of Indiana, in Cause No. 37494, approved December 6, 1984. Prior to any purchase by the Company, the qualifying facility must enter into a contractual agreement.

RATES FOR SALE OF ENERGY AND CAPACITY

If the qualifying facility desires to purchase electric service from the Company, the electric requirements for the qualifying facility shall be separately metered and billed in accordance with the applicable rate schedule.

PURCHASE PRICES

The Company will pay for energy and capacity received from the qualifying facility on a monthly basis as follows:

Energy Component

Prices paid are based on the Company's avoided cost of energy associated with a one (1) megawatt decrement of load. The energy payment is expressed on a cents-per-kwh basis in Table 1 of this schedule.

Payments for energy are adjusted to reflect line losses, expressed as a percentage for the previous year. It is expected that the projected energy payment will vary as the Company's actual fuel costs change. Energy rates listed in Table 1 will be revised on or before February 28th in each subsequent year in accordance with the Commission Cause No. 37494.

In the case of contracts for purchases of 72,000 kilowatt-hours or more per month from a qualifying facility, the following factors may be considered and an appropriate adjustment made to the agreed purchase price in each contract:

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and Electric Company

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Cancelling First Revised Sheet No. 39

RATE "CSP"
COGENERATION AND SMALL POWER PRODUCTION
(Continued)

1. The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the Company's generation facilities.
2. The relationship of the availability of energy from the qualifying facility to the ability of the Company to avoid costs, particularly as is evidenced by the Company's ability to dispatch the qualifying facility.
3. The availability of energy from a qualifying facility during the Company's system daily or seasonal peak.
4. The usefulness of energy from a qualifying facility during Company system emergencies, including its ability to separate its load from its generation.

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and Electric Company

P.S.C.I. No. E-8 N.S.
Second Revised Sheet No. 40
Cancelling First Revised Sheet No. 40

RATE "CSP"
COGENERATION AND SMALL POWER PRODUCTION
(Continued)

Table 1

ENERGY PAYMENT TO A QUALIFYING FACILITY

1.56¢ Per KWH

UNADJUSTED CAPACITY PAYMENT TO A QUALIFYING FACILITY

\$2.68 Per KW Per Month

Effective:

Southern Indiana Gas
and Electric Company

P.S.C.I. No. E-8 N.S.
Second Revised Sheet No. 41
Cancelling First Revised Sheet No. 41

RATE "CSP"
COGENERATION AND SMALL POWER PRODUCTION
(Continued)

Capacity Component

There shall be a demand credit paid to qualifying facilities who can enter into a contract with the Company to provide firm capacity for a specified term. Capacity payments are expressed on a dollars per kilowatt per month basis in Table 1 of this schedule.

The monthly capacity payment shall be adjusted by the following factor:

$$F = \frac{E_p}{(K)(T_p)}$$

Where:

F = Capacity payment adjustment factor

E_p = Kilowatt-hours delivered to the Company by the qualifying facility during the peak period defined as the hours of 7:00 a.m. to 10:00 p.m. during weekdays, excluding holidays.

K = Kilowatts of capacity the qualifying facility contracts to provide.

T_p = Number of hours in the peak period.

The Company and a qualifying facility may negotiate a rate for energy or capacity which differs from the filed rate CSP.

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and Electric Company

P.S.C.I. No. E-8 N.S.
Second Revised Sheet No. 42
Cancelling First Revised Sheet No. 42

COGENERATION AND SMALL POWER PRODUCTION
(Continued)

CONDITIONS OF PURCHASE

1. A qualifying facility, operating electric generating equipment, may connect it in parallel with the Company's system, providing the facility complies with applicable safety standards and provides, at its expense, all necessary protective and synchronizing equipment.
2. The qualifying facility shall pay in advance of construction all costs estimated by the Company for metering or other facilities necessary to provide for the energy purchase. Upon completion of the construction, the Company will reconcile the actual costs with the advance payment and bill or credit the facility accordingly.
3. The qualifying facility shall operate its electric generating equipment in such a manner so as not to adversely affect the Company's voltage waveform.
4. The qualifying facility shall permit the Company at any time as it deems necessary to install or modify any equipment to protect the safety of its employees or the accuracy of its metering equipment as a result of the operation of the facility's equipment. The facility shall reimburse the Company for the cost of such installation or modification upon receipt of a statement from the Company.
5. The qualifying facility shall permit Company's employees to enter upon its property at any reasonable time for the purpose of inspecting and/or testing its facilities to ensure their continued safe operation and the accuracy of the Company's metering equipment, but such inspections shall not relieve the customer from its obligation to maintain the facilities in satisfactory operating condition.
6. The qualifying facility shall agree to indemnify the Company and its employees against liability for any injuries or damages caused by the operation of the facility's equipment or by any failure of the facility to maintain its equipment in satisfactory and/or safe operating condition.
7. The Company will require that a contract be executed which will detail meter reading and billing practices to be followed, as well as other technical and operating parameters for the qualifying facility's generation facilities.

Effective:

Southern Indiana Gas
and Electric Company

P.S.C.I. No. E-8 N.S.
Second Revised Sheet No. 43
Cancelling First Revised Sheet No. 43

RATE "CSP"
COGENERATION AND SMALL POWER PRODUCTION
(Continued)

8. Qualifying facilities wishing to operate electric generating equipment in parallel with the Company system and not sell electricity to the Company shall abide by these Conditions of Purchase, including allowing the Company to prevent the existing Company metering facilities from recording any flow of energy from the facility's generation into the company's system.
9. The Company need not purchase or sell at the time of a system emergency.
10. The determination of whether or not a facility qualifies, as well as other terms and conditions of purchase and sale, shall be subject to and in accordance with the Public Service Commission's order approved December 6, 1984, in Cause No. 37494.
11. The Company's standard terms and conditions shall apply to the purchase and sale of surplus energy and capacity, unless specifically superseded by the terms and conditions presented herein.

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SOUTHERN INDIANA GAS & ELECTRIC COMPANY

CALCULATION OF COGENERATION RATE
FOR PURCHASE OF CAPACITY
YEAR 1988

Formula

$$C = \frac{1}{12} \left[DV \left[\frac{1 - \left(\frac{1 + ip}{1 + r} \right)^n}{1 - \left(\frac{1 + ip}{1 + r} \right)} \right] (1 + ip)^{t-1} + O \left(\frac{1 + io}{1 + r} \right) (1 + io)^{t-1} \right] \div \left(1 - \frac{L}{2} \right)$$

Inputs

- D = (cc) $\frac{(1 + r)^n - 1}{(r)(1 + r)^n}$ = 7.0374 (cc)
- cc = 17.53% (See Carrying Charge Calculation)
- V = \$300/kW (See Capacity Capital Cost)
- ip = 5.34% (DRI Long-Term Forecast - IPD)
- io = 5.53% (DRI Long-Term Forecast - PPI)
- r = 12.73% (see Cost of New Capital)
- O = \$1.26/kW (3 year average cost, FERC Form #1)
- L = 4.44% (1986 FERC Form #1)
- t = 1
- n = 30 years (EPRI-TAG 1986)

Rate

Rate = \$2.68 per kW per month

SOUTHERN INDIANA GAS & ELECTRIC COMPANY

CALCULATION OF COST OF NEW CAPITAL
YEAR 1988

<u>Item</u>	<u>Capital Structure</u> ⁽¹⁾	<u>Cost Rate</u> ⁽²⁾	<u>Composite Cost</u>
Debt	51.0%	10.50%	5.36%
Preferred Stock	6.0%	10.00%	.60%
Common Equity	<u>43.0%</u>	15.75%	<u>6.77%</u>
	100.0%		<u>12.73%</u>

NOTE: (1) Structure from last rate case - Cause 37803.

(2) Estimate current costs for "AA" rated utility. Equity cost at level last allowed by PSC (Cause No. 37803).

SOUTHERN INDIANA GAS & ELECTRIC COMPANY

CALCULATIONS OF COGENERATION
RATE FOR PURCHASE OF ENERGY
YEAR 1988

Basis of Calculation

The system's energy cost was derived utilizing a production cost simulation model for the estimated 1988 system loads. The production cost model MARGIN is a model developed from the general dispatch model SYSGEN. The MARGIN model dispatches the system on a weekly basis by hour, and reports both the total, hourly, and marginal hourly running costs. The marginal values which reflect a small load change (1 MW) are used in this calculation.

Energy Rate

Average 12 months marginal cost values from dispatch:	= 1.53¢/kWh
Adjustment for losses ⁽¹⁾ :	
$\frac{1}{(1 - (0.0444/2))}$	= 1.0227
Adjusted Energy Rate	= 1.56¢/kWh

NOTE: (1) Losses from 1986 FERC Form #1, page 401.

SOUTHERN INDIANA GAS & ELECTRIC COMPANY

ESTIMATED CAPACITY CAPITAL COST
YEAR 1988Basis of Cost

At present the Company has no definitive plans for its next capacity addition. The cost of capacity has therefore been estimated based on a 75 MW combustion turbine with an in-service date of approximately October 1987.

The capital cost estimate is derived from values given by EPRI in the Technical Assessment Guide, Volume 1: Electricity Supply - 1986, p. B-83, for a 75 MW distillate/gas unit in the East/West Central region. This cost in 1984 \$ has been escalated to 1988 by use of Handy-Whitmans Index values for 7/1/84 to 7/1/88.

Capital Cost

Cost per kW (1984):	= \$269/kW
Escalation to mid-year 1987 per Handy-Whitman Index (Bulletin No. 126, 9/87) North Central Region:	267/239 = 1.117
Estimated Cost (1988) \$269 x 1.117	\$300/kW

SOUTHERN INDIANA GAS & ELECTRIC COMPANY

CALCULATION OF PRESENT VALUE
OF CARRYING CHARGES
YEAR 1988

Formulas

Carrying Charge = cc,

cc = r + d + I + P + T, where

Income Tax = T, and

$T = (t/1-t) (r + d - D) (r - bL)/r$

Inputs

r	=	Cost of Capital	12.73%
d	=	Sinking fund depreciation rate $[(i)/(1 + i)^n - 1]$	0.36%
n	=	(Service life (years))	30
I	=	Insurance cost rate $\$977,405/\$497,306,427$	0.20%
P	=	Property Tax rate $(\$4,571,932/\$497,306,427)$	0.92%
D	=	Book depreciation rate (30 year life - per EPRI "TAG")	3.33
t	=	Income tax rate (composite) (34% Federal, 4.5% State)	36.97%
b	=	Debt interest cost rate	10.50%
L	=	Debt capital structure ratio	.510%

Carrying Charge

T	=	3.32%
CC	=	12.73 + 0.36 + 0.20 + 0.92 + 3.32
CC	=	17.53%

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

STANDARD OFFER #1

POWER PURCHASE AGREEMENT

FOR

AS-DELIVERED CAPACITY AND ENERGY

STANDARD OFFER #1:
AS-DELIVERED CAPACITY AND ENERGY
POWER PURCHASE AGREEMENT

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STANDARD OFFER AND FORM CONTRACT
FOR AS-DELIVERED CAPACITY
AND ENERGY POWER PURCHASE
BETWEEN

AND
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

("Seller") and SOUTHERN INDIANA
GAS AND ELECTRIC COMPANY ("Sigeco"), referred to collectively as
"Parties" and individually as "Party", agree as follows:

ARTICLE 1 QUALIFYING STATUS

Seller warrants that, at the date of first power deliveries from Seller's Facility and during the term of agreement, its Facility shall meet the qualifying facility requirements established as of the effective date of this Agreement by the Indiana Utility Regulatory Commission's rules implementing the Public Utility Regulatory Policies Act of 1978 (16 U.S.C.A. 796, et seq.) as embodied and defined in 170 IAC 4-4.1-1, and the parties expressly agree that this Agreement shall apply only to Seller's qualified Facility located at _____, Indiana.

ARTICLE 2 PURCHASE OF POWER

- (a) Seller shall sell and deliver and Sigeco shall purchase and accept from the Facility having a nameplate rating of _____ kw located at _____ the _____ as-delivered capacity and energy at the voltage level of _____ kv.
- (b) The scheduled operation date when Seller estimates first delivery of electric energy from the Facility to Sigeco is _____. At the end of each calendar quarter Seller shall give to Sigeco written notice of any change in the scheduled operation date.
- (c) To avoid exceeding the physical limitations of the interconnectin facilities, Seller shall limit the Facility's actual rate of delivery into the Sigeco system to _____ kw.
- (d) The primary energy source for the Facility is _____

- _____.
- (e) If Seller does not begin construction of its Facility by _____, Sigeco may reallocate the existing capacity on Sigeco's transmission and/or distribution system which would have been used to accommodate Seller's power deliveries to other uses. In the event of such reallocation, Seller shall pay Sigeco for the cost of any upgrades or additions to Sigeco's system necessary to accommodate the output from the Facility. Such additional facilities shall be installed, owned, and maintained in accordance with the applicable Sigeco tariff.
- (f) The transformer loss adjustment factor is _____.

ARTICLE 3 PURCHASE PRICE

Sigeco shall pay Seller for as-delivered capacity at prices authorized from time to time by the Indiana Utility Regulatory Commission and which are derived from Sigeco's full avoided costs based on the cost of Sigeco's next avoidable base plant or the cost of a new combustion turbine as approved by the Indiana Utility Regulatory Commission. Sigeco shall pay Seller for energy at prices equal to Sigeco's full avoided costs as approved by the Indiana Utility Regulatory Commission. Sigeco's current as-delivered capacity price calculation is shown in Appendix _____. Sigeco's current energy price calculation is shown in _____.

ARTICLE 4 NOTICES

All written notices shall be directed as follows:

to Sigeco: Southern Indiana Gas and Electric Company
Attention: Vice President - Electric Operations
20-24 N. W. Fourth Street
Evansville, Indiana 47741

to Seller: _____

ARTICLE 5 TERMS AND CONDITIONS

Sigeco shall not be required to purchase from or sell electric energy to Seller at the time of an emergency on, in or to any electric facility or system of either Sigeco or Seller. Scheduled outages of Seller's QF shall be cooperatively coordinated with scheduled outages of Sigeco's generating facilities. A contract for wheeling service may be negotiated to the extent that federal law and the provisions of 170 IAC 4-4.1-6 permit.

This Agreement includes the following appendices which are attached, made a part hereof and incorporated by reference:

- APPENDIX A - GENERAL TERMS AND CONDITIONS
- APPENDIX B - ENERGY PRICES
- APPENDIX C - AS-DELIVERED CAPACITY PRICES
- APPENDIX D - INTERCONNECTION
- APPENDIX E - AUXILIARY OR STANDBY SERVICE

ARTICLE 6 TERM OF AGREEMENT

This Agreement shall become effective on the date of execution by the Parties and shall remain in effect for a period of thirty-six (36) months from the date hereof unless earlier terminated by either or both parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives and effective as of the last date set forth below.

_____	SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
(SELLER)	
By: _____	By: _____
_____	_____
(Type Name)	(Type Name)
TITLE: _____	TITLE: _____
DATE SIGNED: _____	DATE SIGNED: _____

APPENDIX A
GENERAL TERMS AND CONDITIONS
CONTENTS

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APPENDIX A

GENERAL TERMS AND CONDITIONS

A-1 DEFINITIONS

Whenever used in this Agreement, appendices, and attachments hereto, the following terms shall have the following meanings:

IURC - Indiana Utility Regulatory Commission.

Facility - That generation apparatus described in Article 2 and all associated equipment owned, maintained, and operated by Seller.

Interconnection Facilities - All means required and apparatus installed to interconnect and deliver power from the Facility to the Sigeco system including, but not limited to, connection, transformation, switching, metering, communications, and safety equipment, such as equipment required to protect (1) the Sigeco system and its customers from faults occurring at the Facility, and (2) the Facility from faults occurring on the Sigeco system or on the systems of others to which the Sigeco system is directly or indirectly connected. Interconnection facilities also include any necessary additions and reinforcements by Sigeco to the Sigeco system required as a result of the interconnection of the Facility to the Sigeco system.

Net energy output - The Facility's gross output in kilowatt-hours less station use and transformation and transmission losses to the point of delivery into the Sigeco system. Where Sigeco agrees that it is impractical to connect the station use on the generator side of the power purchase meter Sigeco may, at its option, apply a station load adjustment.

Prudent electrical practices - Those practices, methods, and equipment, as changed from time to time, that are commonly used in prudent electrical engineering and operations to design and operate electric equipment lawfully and with safety, dependability, efficiency, and economy.

Special facilities - Those additions and reinforcements to the Sigeco system which are needed to accommodate the maximum delivery of energy and capacity from the Facility as provided in this Agreement and those parts of the interconnection

facilities which are owned and maintained by Sigeco at Seller's request, including metering and data processing equipment. All special facilities shall be owned, operated, and maintained pursuant to Sigeco's electric standards and rules, which is attached hereto.

Station use - Energy used to operate the Facility's auxiliary equipment. The auxiliary equipment includes, but is not limited to, forced and induced draft fans, cooling towers, boiler feed pumps, lubricating oil systems, plant lighting, fuel handling systems, control systems, and sump pumps.

Surplus energy output - The Facility's gross output, in kilowatt-hours, less station use, and any other use by the Seller, and transformation and transmission losses to the point of delivery into the Sigeco system.

Term of agreement - The period of time during which this Agreement will be in effect as provided in Article 6.

Voltage level - The voltage at which the Facility interconnects with the Sigeco system, measured at the point of delivery.

A-2 CONSTRUCTION

A-2.1 Land Rights

Seller hereby grants to Sigeco all necessary rights of way and easements to install, operate, maintain, replace, and remove the special facilities, including adequate and continuing access rights on property of Seller. Seller agrees to execute such other grants, deeds, or documents as Sigeco may require to enable it to record such rights of way and easements. If any part of Sigeco's equipment is to be installed on property owned by other than Seller, Seller shall, at its own cost and expense obtain from the owners thereof all necessary rights of way and easements in a form satisfactory to Sigeco, for the construction, operation, maintenance, and replacement of Sigeco's equipment upon such property. If Seller is unable to obtain these rights of way and easements, Seller shall reimburse Sigeco for all costs incurred by Sigeco in obtaining them. Sigeco shall at all times have the right of ingress to and egress from the Facility at all reasonable hours for any purposes reasonably connected with this Agreement or the exercise of any and all rights secured to Sigeco by law or its tariff schedules.

A-2.2 Design, Construction, Ownership, and Maintenance

- (a) Seller shall design, construct, install, own, operate and maintain all interconnection facilities, except special

facilities, to the point of interconnection with the Sigeco system as required for Sigeco to receive as-delivered capacity and energy from the Facility. The Facility and interconnection facilities shall meet all requirements of applicable codes and all standards of prudent electrical practices and shall be maintained in a safe and prudent manner. A description of the interconnection facilities for which Seller is solely responsible is set forth in Appendix D or if the interconnection requirements have not yet been determined at the time of the execution of this Agreement, the description of such facilities will be appended to this Agreement at the time such determination is made.

- (b) Seller shall submit to Sigeco the design and all specifications for the interconnection facilities (except special facilities) for review and written acceptance prior to their release for construction purposes. Sigeco shall notify Seller in writing of the outcome of Sigeco's review of the design and specifications for Seller's interconnection facilities within 60 days of the receipt of the design and all of the specifications for the interconnection facilities. Any flaws perceived by Sigeco in the design and specifications for the interconnection facilities will be described in Sigeco's written notification. Sigeco's review and acceptance of the design and specifications shall not be construed as confirming or endorsing the design and specifications or as warranting their safety, durability, or reliability. Sigeco shall not, by reason of such review or lack of review, be responsible for strength, details of design, adequacy, or capacity of equipment built pursuant to such design and specifications, nor shall Sigeco's acceptance be deemed to be an endorsement of any of such equipment. Seller shall change the interconnection facilities as may be reasonably required by Sigeco to meet changing requirements of the Sigeco system.
- (c) In the event it is necessary for Sigeco to install interconnection facilities for the purposes of this Agreement, they shall be installed as special facilities.
- (d) Upon the request of Seller, Sigeco shall provide a binding estimate for the installation of interconnection facilities by Sigeco.

A-2.3 Meter Installation

- (a) Sigeco shall specify, provide, install, own, operate, and maintain as special facilities all metering and data processing

equipment for the registration and recording of energy and other related parameters which are required for the reporting of data to Sigeco and for computing the payment due Seller from Sigeco.

- (b) Seller shall provide, construct, install, own, and maintain at Seller's expense all that is required to accommodate the metering and data processing equipment, such as, but not limited to, metal-clad switchgear, switchboards, cubicles, metering panels, enclosures, conduits, rack structures, and equipment mounting pads.
- (c) Sigeco shall permit meters to be fixed on Sigeco's side of the transformer. If meters are placed on Sigeco's side of the transformer, service will be provided at the available primary voltage and no transformer loss adjustment will be made. If Seller chooses to have meters placed on Seller's side of the transformer, an estimated transformer loss adjustment factor of 2 percent, unless the Parties agree otherwise, will be applied.

A-3 ENERGY SALES

A-3.1 General

This Agreement is only for the sale of Seller's surplus energy output. Sigeco is not required to and does not agree to purchase any energy from Seller other than its surplus energy output.

A-4 OPERATION

A-4.1 Inspection and Approval

Seller shall not operate the Facility in parallel with Sigeco's system until an authorized Sigeco representative has inspected the interconnection facilities, and Sigeco has given written approval to begin parallel operation. Seller shall notify Sigeco of the Facility's start-up date at least 45 days prior to such date. Sigeco shall inspect the interconnection facilities within 30 days of the receipt of such notice. If parallel operation is not authorized by Sigeco, Sigeco shall notify Seller in writing within five days after inspection of the reason authorization for parallel operation was withheld.

A-4.2 Facility Operation and Maintenance

Seller shall operate and maintain its Facility according to prudent electrical practices, applicable laws, orders, rules, and

tariffs and shall provide such reactive power support as may be reasonably required by Sigeco to maintain system voltage level and power factor. Seller shall operate the Facility at the power factors or voltage levels prescribed by Sigeco's system dispatcher or designated representative. If Seller fails to provide reactive power support, Sigeco may do so at Seller's expense.

A-4.3 Point of Delivery

Seller shall deliver the energy at the point where Seller's electrical conductors contact Sigeco's system as it shall exist whenever the deliveries are being made or at such other point or points as the Parties may agree in writing. The initial point of delivery of Seller's power to the Sigeco system is set forth in Appendix D.

A-4.4 Operating Communications

- (a) Seller shall maintain operating communications with Sigeco's power center. The operating communications shall include, but not be limited to, system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, levels of operating voltage or power factors, and daily capacity and generation reports.
- (b) Seller shall keep a daily operations log for each generating unit which shall include information on unit availability, maintenance outages, circuit breaker trip operations requiring a manual reset, and any significant events related to the operation of the Facility.
- (c) If Seller makes deliveries greater than one megawatt, Seller shall measure and register on a graphic recording device power in kW and voltage in kV at a location within the Facility agreed to by both Parties.
- (d) If Seller makes deliveries greater than one and up to and including ten megawatts, Seller shall report to the Sigeco power center, twice a day at agreed upon times for the current day's operation, the hourly readings in kW of capacity delivered and the energy in kWh delivered since the last report.
- (e) If Seller makes deliveries of greater than ten megawatts, Seller shall telemeter the delivered capacity and energy information, including real power in kW, reactive power in kVAR, and energy in kWh to the Sigeco power center. Sigeco may also require Seller to telemeter transmission kW, kVAR,

and kV data depending on the number of generators and transmission configuration. Seller shall provide and maintain the data circuits required for telemetering. When telemetering is inoperative, Seller shall report daily the capacity delivered each hour and the energy delivered each day to the Sigeco power center.

A-4.5 Meter Testing and Inspection

- (a) All meters used to provide data for the computation of the payments due Seller from Sigeco shall be sealed, and the seals shall be broken only by Sigeco when the meters are to be inspected, tested, or adjusted.
- (b) Sigeco shall inspect and test all meters upon their installation and annually thereafter. At Seller's request and expense, Sigeco shall inspect or test a meter more frequently. Sigeco shall give reasonable notice to Seller of the time when any inspection or test shall take place, and Seller may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, Sigeco shall adjust, repair, or replace it at its expense in order to provide accurate metering.

A-4.6 Adjustments to Meter Measurements

If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent from the measurement made by the standard meter used in the test, an adjustment shall be made correcting all measurements made by the inaccurate meter for (1) the actual period during which inaccurate measurements were made, if the period can be determined, or if not, (2) the period immediately preceding the test of the meter equal to one-half the time from the date of the last previous test of the meter, provided that the period covered by the correction shall not exceed six months.

A-5 PAYMENT

Sigeco shall mail to Seller not later than 30 days after the end of each monthly billing period (1) a statement showing the kilowatt-hours delivered to Sigeco during on-peak, partial-peak, and off-peak periods during the monthly billing period, (2) Sigeco's computation of the payment due Seller, and (3) Sigeco's check in payment of said amount. Except as provided in Section A-6, if within 30 days of receipt of the statement Seller does not make a report in writing to Sigeco of an error, Seller shall be deemed to have waived any error in Sigeco's

statement, computation, and payment, and they shall be considered correct and complete.

A-6 ADJUSTMENTS OF PAYMENTS

- (a) In the event adjustments to payments are required as a result of inaccurate meters, Sigeco shall use the corrected measurements described in Section A-4.6 to recompute the amount due from Sigeco to Seller for the as-delivered capacity and energy delivered under this Agreement during the period of inaccuracy.
- (b) The additional payment to Seller or refund to Sigeco shall be made within 30 days of notification of the owing Party of the amount due.

A-7 ACCESS TO RECORDS AND SIGECO DATA

Each Party, after reasonable written notice to the other Party, shall have the right of access to all metering and related records including the operations logs of the Facility. Data filed by Sigeco with the IURC pursuant to IURC orders governing the purchase of power from qualifying facilities shall be provided to Seller upon request; provided that Seller shall reimburse Sigeco for the costs it incurs to respond to such request.

A-8 CURTAILMENT OF DELIVERIES

- (a) Sigeco shall not be obligated to accept or pay for and may require Seller to interrupt or reduce deliveries of as-delivered capacity and energy (1) when necessary in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of its equipment or any part of its system, or (2) if it determines that interruption or reduction is necessary because of emergencies, forced outages, force majeure, or compliance with prudent electrical practices.
- (b) Sigeco shall not be obligated to accept or pay for and may require Seller to interrupt or reduce deliveries of as-delivered capacity and energy during periods when purchases under this Agreement would result in costs greater than those which Sigeco would incur if it did not make such purchases but instead generated an equivalent amount of energy itself.
- (c) Whenever possible, Sigeco shall give Seller reasonable notice of the possibility that interruption or reduction of deliveries under subsections (a) or (b), above, may be required.

A-9

FORCE MAJEURE

- (a) The term force majeure as used herein means unforeseeable causes beyond the reasonable control of and without the fault or negligence of the Party claiming force majeure including, but not limited to, acts of God, labor disputes, sudden actions of the elements, actions by federal, state, and municipal agencies, and actions of legislative, judicial, or regulatory agencies which conflict with the terms of this Agreement.
- (b) If either Party because of force majeure is rendered wholly or partly unable to perform its obligations under this Agreement, that Party shall be excused from whatever performance is affected by the force majeure to the extent so affected provided that:
 - (1) the non-performing Party, within thirty days after the occurrence of the force majeure, gives the other Party written notice describing the particulars of the occurrence,
 - (2) the suspension of performance is of no greater scope and of no longer duration than is required by the force majeure,
 - (3) the non-performing Party uses its best efforts to remedy its inability to perform (this subsection shall not require the settlement of any strike, walkout, lockout, or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts, or other labor disputes shall be at the sole discretion of the Party having the difficulty), and
 - (4) when the non-performing Party is able to resume performance of its obligations under this Agreement, that Party shall give other Party written notice to that effect.
- (c) In the event a Party is unable to perform due to legislative, judicial, or regulatory agency action, this Agreement shall be renegotiated to comply with the legal change which caused the non-performance.

A-10 INDEMNITY

THE SELLER AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS SOUTHERN INDIANA GAS AND ELECTRIC COMPANY AND ITS AGENTS AND EMPLOYEES from any claims, demands or liability of any kind or nature for injuries or damages to any person or property growing out of the performance of this contract or arising in any manner, ways or means from any product supplied or activity required in this contract, WHETHER DUE IN WHOLE OR IN PART TO THE NEGLIGENCE OF SAID SIGECO, ITS AGENTS OR EMPLOYEES OR THE SELLER, ITS AGENTS OR EMPLOYEES OR OTHER PERSONS OR ENTITIES ENGAGED IN THE PERFORMANCE OF THE CONTRACT, OR THE JOINT NEGLIGENCE OF ANY OF THE AFORESAID IN ANY COMBINATION.

A-11 LIABILITY; DEDICATION

- (a) Nothing in this Agreement shall create any duty to, any standard of care with reference to, or any liability to any person not a Party to it. Neither Party shall be liable to the other Party for consequential damages.
- (b) Each Party shall be responsible for protecting its facilities from possible damage by reason of electrical disturbances or faults caused by the operation, faulty operation, or non-operation of the other Party's facilities, and such other Party shall not be liable for any such damages so caused.
- (c) No undertaking by one Party to the other under any provisions of this Agreement shall constitute the dedication of that Party's system or any portion thereof to the other Party or to the public nor affect the status of Sigeco as an independent public utility corporation or Seller as an independent individual or entity and not a public utility.

A-12 SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party. Each Party shall be liable individually and severally for its own obligations under this Agreement.

A-13 NON-WAIVER

Failure to enforce any right or obligation by either Party with respect to any matter arising in connection with this Agreement shall not constitute a waiver as to that matter or any other matter.

A-14 ASSIGNMENT

Neither Party shall voluntarily assign its rights nor delegate its duties under this Agreement, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties. Any such assignment or delegation made without such written consent shall be null and void. Consent for assignment will not be withheld unreasonably. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under this Agreement.

A-15 CAPTIONS

All indexes, titles, subject headings, section titles, and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning of the contents or scope of this Agreement.

A-16 CHOICE OF LAWS

This Agreement shall be interpreted in accordance with the laws of the State of Indiana.

A-17 GOVERNMENTAL JURISDICTION AND AUTHORIZATION

Seller shall obtain any governmental authorizations and permits required for the construction and operation of the Facility. Seller shall reimburse Sigeco for any and all losses, damages, claims, penalties, or liability it incurs as a result of Seller's failure to obtain or maintain such authorizations and permits.

A-18 NOTICES

Any notice, demand, or request required or permitted to be given by either Party to the other, and any instrument required or permitted to be tendered or delivered by either Party to the other, shall be in writing and so given, tendered, or delivered, as the case may be, by depositing the same in any United States Post Office with postage prepaid for transmission by certified mail, return receipt requested, addressed to the Party, or personally delivered to the Party, at the address in Article 4 of this Agreement. Changes in such designation may be made by notice similarly given.

A-19 INSURANCE

A-19.1 General Liability Coverage

(a) Seller shall maintain during the performance hereof, General

Liability Insurance of not less than \$10,000,000 if the Facility is over 1 megawatt and \$5,000,000 if the Facility is under 1 megawatt of combined single limit or equivalent for bodily injury, personal injury, and property damage as the result of any one occurrence.

- (b) General Liability Insurance shall include coverage for Premises-Operations, Owners and Contractors Protective, Products/Completed Operations Hazard, Explosion, Collapse, Underground, Contractual Liability, and Broad Form Property Damage including Completed Operations.
- (c) Such insurance, by endorsement to the policy(ies), shall include Sigeco as an additional insured, shall contain a severability of interest clause, shall provide that Sigeco shall not by reason of its inclusion as an additional insured incur liability to the insurance carrier for payment of premium for such insurance, and shall provide for 30-days' written notice to Sigeco prior to cancellation, termination, alteration, or material change of such insurance.

A-19.2 Additional Insurance Provisions

- (a) Evidence of coverage described above in Section A-19.1 shall state that coverage provided is primary and is not excess to or contributing with any insurance or self-insurance maintained by Sigeco.
- (b) Sigeco shall have the right to inspect or obtain a copy of the original policy(ies) of insurance.
- (c) Seller shall furnish the required certificates and endorsements to Sigeco prior to commencing operation.
- (d) All insurance certificates, endorsements, cancellations, terminations, alterations, and material changes of such insurance shall be issued and submitted to the following:

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
Attention: Vice President - Electric
Operations
20-24 N. W. Fourth Street
Evansville, Indiana 47741

APPENDIX B
ENERGY PRICES

TABLE A

Energy Prices Effective

APPENDIX C

AS-DELIVERED CAPACITY PRICES

Purchase Price for As-Delivered Capacity
from Qualifying Facilities for 198

APPENDIX D
INTERCONNECTION

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APPENDIX D
INTERCONNECTION

D-1 INTERCONNECTION TARIFFS (IF APPLICABLE).

(The applicable tariffs in effect at the time of execution of this Agreement shall be attached).

D-2

POINT OF DELIVERY LOCATION SKETCH

D-3

INTERCONNECTION FACILITIES FOR WHICH SELLER IS RESPONSIBLE

APPENDIX E

AUXILIARY OR STANDBY SERVICE

Auxiliary service is that service which supplements another source of power where switching arrangements enable the use of either or both sources of power.

Standby service is that service which is capable of being used in place of another source of power where there is no actual use except during emergencies.

Customers utilizing auxiliary or standby service will be billed on the applicable rate schedule available for the size of load and class of service rendered, subject to the following special provisions:

- (a) A "contract" demand shall be initially established by mutual agreement, between the Company and the Customer and stated in the service contract. Whenever the contract demand, as initially established is exceeded by the creation of a greater demand, then such greater demand shall become the contract demand until again exceeded, and so on, for the duration of the contract.
- (b) The off-peak provision in the applicable rate schedule shall not apply.

AD 16-16

Congress of the United States
Washington, DC 20515OFFICE OF
EXTERNAL AFFAIRS

2017 OCT 31 P 2:45

October 30, 2017

FEDERAL ENERGY
REGULATORY COMMISSION

The Honorable Neil Chatterjee
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Dear Mr. Chairman:

We are writing to urge the Federal Energy Regulatory Commission (FERC) to update its implementing regulations for the Public Utility Regulatory Policies Act (PURPA). As you know, PURPA was enacted in 1978 in response to an oil crisis. Over the last 40 years, we have seen dramatic changes in energy markets that have resulted in an abundance of domestic energy supplies. Two of the most significant changes have been the development of competitive wholesale electricity markets, which enable qualifying facilities (QFs) under PURPA to reach more willing buyers, and the declining costs for natural gas and renewable energy resources. These developments, along with others, have changed both the economics of QF development, as well as the impact of an increasing amount of QF output being placed on the transmission grid.

While there are aspects of the reform of PURPA that will require congressional action, there are also regulatory changes that FERC can make to ensure that its implementing regulations reflect the changes occurring in electricity markets. Many of these changes are already familiar to FERC and were addressed at the technical conference that your agency held on June 29, 2016, in Docket No. AD16-16-000. Among the issues addressed at the conference was the purported gaming of FERC's "one-mile rule" (see 18 CFR § 292.204(a)(2)) by certain QF developers. More than a year later, the House Energy and Commerce Subcommittee on Energy heard testimony during its September 6, 2017, hearing on PURPA, that some QFs are continuing to take advantage of FERC's regulations to effectively build projects that exceed the various size thresholds in the wholesale electricity markets regulated by FERC. However, since FERC has made clear in its decisions that its one-mile rule is irrebuttable, parties involved cannot challenge the lawfulness of these projects.

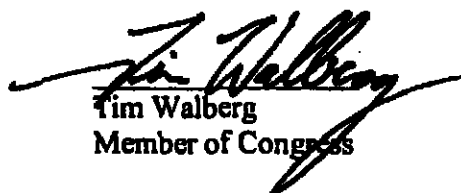
Eliminating the opportunity for certain QF developers to game FERC's one-mile rule will directly benefit electricity customers, who are paying billions of dollars in above-market prices for QF power sold under mandatory PURPA contracts. While the Energy and Commerce Committee considers additional reforms to PURPA, we encourage FERC to address the concerns raised at its 2016 technical conference and to use its authority to undertake needed modernization to the Commission's PURPA one-mile rule regulations while taking into consideration non-geographic factors as well.

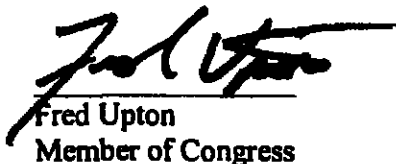
2017-00119

As Congress continues its review of PURPA, we request the list of changes and reforms the Commission believes it can make under its existing authority.

We look forward to working with the Commission to ensure our constituents can benefit from lower cost electricity, more competitive markets and advancements made in renewable generation.

Sincerely,


Tim Walberg
Member of Congress

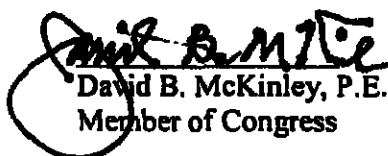

Fred Upton
Member of Congress

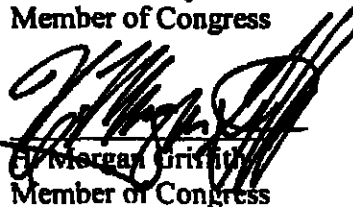

Joe Barton
Member of Congress


Marsha Blackburn
Member of Congress


Robert E. Latta
Member of Congress

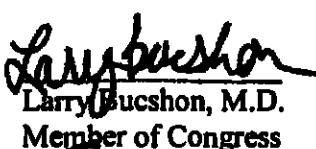

Gregg Harper
Member of Congress


David B. McKinley, P.E.
Member of Congress


H. Morgan Griffith
Member of Congress

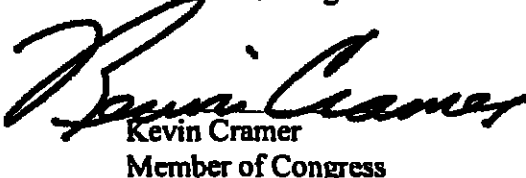

Bill Johnson
Member of Congress

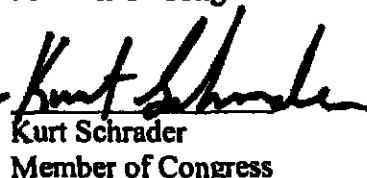

Dave Loebsack
Member of Congress


Larry Bucshon, M.D.
Member of Congress

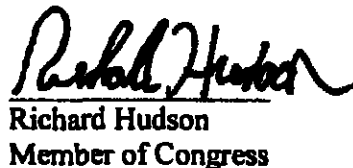

Bill Flores
Member of Congress


Markwayne Mullin
Member of Congress


Kevin Cramer
Member of Congress


Kurt Schrader
Member of Congress


Billy Long
Member of Congress


Richard Hudson
Member of Congress

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NOV 29 2017****FEDERAL ENERGY REGULATORY COMMISSION**

WASHINGTON, DC 20426

November 29, 2017

OFFICE OF THE CHAIRMAN

The Honorable Tim Walberg
U. S. House of Representatives
Washington, D.C. 20515

Dear Congressman Walberg:

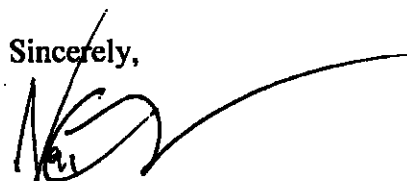
Thank you for your October 30, 2017, letter regarding the Public Utility Regulatory Policies Act of 1978 (PURPA).

The energy landscape that existed when PURPA was conceived was fundamentally different than it is today; solar and wind power were fledgling technologies, there was no open access to wholesale electricity markets, and natural gas was in scarce supply. None of those things are true today. In light of such changes, I believe that the Commission should consider whether changes in its existing regulations and policies could better align PURPA implementation with modern realities.

As you know, the Commission held a technical conference on June 29, 2016, in Docket No. AD16-16-000, to examine issues related to PURPA. Subsequently, the Commission solicited written comments from interested parties, which were submitted by November 7, 2016. One particular area where many parties have indicated a need for a different approach is the "one-mile rule" for qualifying facilities. Of course, other such areas may exist, too, and we owe it to stakeholders to continue taking a hard look at our regulations to identify those opportunities for improvement. Please be assured that I will keep your concerns in mind as the Commission explores these important issues. Your letter and this reply will be placed in the public record of Docket No. AD16-16-000.

If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,



Neil Chatterjee
Chairman

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